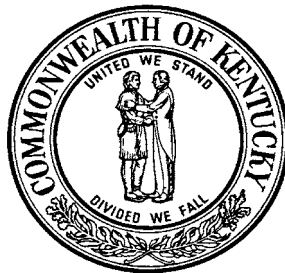


**REPORT OF THE AUDIT OF THE
TODD COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES**

June 11, 2002



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
TODD COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES

June 11, 2002

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2001 Taxes for Todd County Sheriff as of June 11, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$1,996,470 for the districts for 2001 taxes, retaining commissions of \$82,942 to operate the Sheriff's office. The Sheriff distributed taxes of \$1,924,529 to the districts for 2001 Taxes. Taxes of \$0 are due to the districts from the Sheriff and refunds of \$11,778 are due to the Sheriff from the taxing districts.

Report Comment:

- The Sheriff Erroneously Paid The 10% Add-on Fees To The Taxing Districts

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Cecil Mallory, Todd County Judge/Executive
Honorable Betty Orr, Todd County Sheriff
Members of the Todd County Fiscal Court

Independent Auditor's Report

We have audited the Todd County Sheriff's Settlement - 2001 Taxes as of June 11, 2002. This tax settlement is the responsibility of the Todd County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Todd County Sheriff's taxes charged, credited, and paid as of June 11, 2002, in conformity with the modified cash basis of accounting.



To the People of Kentucky
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In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Erroneously Paid The 10% Add-on Fees To The Taxing Districts

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 13, 2002

TODD COUNTY
BETTY ORR, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES

June 11, 2002

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 233,005	\$ 237,622	\$ 860,529	\$ 360,169
Tangible Personal Property	15,339	10,844	49,359	63,826
Intangible Personal Property				23,731
Fire Protection	1,431			
Taxes Increased Through				
Erroneous Assessments	38	34	139	763
Franchise Corporation	32,464	24,266	107,610	
Oil and Gas Property Taxes	44	39	161	67
Limestone, Sand, and Mineral Reserves	86	77	318	133
Bank Franchises	26,272			
Penalties	2,396	2,407	8,766	3,977
Adjusted to Sheriff's Receipt	(84)	(635)	(310)	(122)
Gross Chargeable to Sheriff	<u>\$ 310,991</u>	<u>\$ 274,654</u>	<u>\$ 1,026,572</u>	<u>\$ 452,544</u>
<u>Credits</u>				
Exonerations	\$ 1,363	\$ 1,181	\$ 4,782	\$ 3,753
Discounts	3,740	3,179	11,700	5,939
Delinquents:				
Real Estate	4,183	4,071	15,433	6,458
Tangible Personal Property	150	106	483	566
Intangible Personal Property				12
Uncollected Franchise	<u>242</u>	<u>171</u>	<u>779</u>	
Total Credits	<u>\$ 9,678</u>	<u>\$ 8,708</u>	<u>\$ 33,177</u>	<u>\$ 16,728</u>
Taxes Collected	\$ 301,313	\$ 265,946	\$ 993,395	\$ 435,816
Less: Commissions *	<u>13,093</u>	<u>11,303</u>	<u>39,736</u>	<u>18,810</u>
Taxes Due	\$ 288,220	\$ 254,643	\$ 953,659	\$ 417,006
Taxes Paid	289,644	255,864	959,348	419,673
Refunds (Current and Prior Year)	<u>107</u>	<u>92</u>	<u>403</u>	<u>175</u>
(Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (1,531)</u>	<u>\$ (1,313)</u>	<u>\$ (6,092)</u>	<u>\$ (2,842)</u>

TODD COUNTY
BETTY ORR, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES
June 11, 2002
(Continued)

*Commissions:

10% on \$10,000	\$	1,000
4.25% on \$993,075	\$	42,206
4% on \$993,395	\$	39,736

**Special Taxing Districts:

Library District	\$	(164)
Health District		(336)
Extension District		(496)
Soil Conservation District		(144)
Flood Plain District		(6)
Mud River District		(12)
Pond River District		(155)

(Refunds Due Sheriff)	\$	<u>(1,313)</u>
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TODD COUNTY
NOTES TO FINANCIAL STATEMENTS

June 11, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 11, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

TODD COUNTY
NOTES TO FINANCIAL STATEMENT
June 11, 2002
(Continued)

Note 4. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2001. Property taxes were billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 24, 2001 through April 26, 2002.

Note 5. Interest Income

The Todd County Sheriff earned \$1,140 as interest income on 2001 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of December 13, 2002, the School District owes \$280 in interest to the Sheriff's office and the Sheriff owes \$172 in interest to her fee account.

Note 6. Sheriff's 10% Add-On Fee

The Todd County Sheriff collected \$13,593 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of December 13, 2002, the Sheriff owes \$13,593 in 10% add-on fees to her fee account. The Sheriff erroneously paid the 10% add-on fees to the taxing districts.

Note 7. Advertising Costs And Fees

The Todd County Sheriff collected \$1,115 of advertising costs and \$335 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION

TODD COUNTY
BETTY ORR, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

June 11, 2002

STATE LAWS AND REGULATIONS:

The Sheriff Erroneously Paid The 10% Add-on Fees To The Taxing Districts

Our audit reflects \$13,593 in 10% Add-on fees collected by the Sheriff on 2001 property taxes. These fees were deposited in the Sheriff's official tax account and distributed to the taxing districts. In accordance with KRS 134.430 (3), as compensation for services, the sheriff shall be entitled to an additional ten (10%) percent of that part of the tax claim represented by the total taxes plus ten (10%) percent penalty, for all delinquent taxes collected from the time the ten (10%) percent penalty becomes applicable through the sale of the tax claims. This fee shall be added to the total amount due and paid by the person paying the delinquent tax bill. In the future the Sheriff should pay the 10% Add-on fees collected to the Sheriff's Fee Account instead of the taxing districts. We recommend that the Sheriff obtain refunds: State - \$2,842; Fiscal Court - \$1,531; School District - \$6,092; Library District - \$164; Health District - \$336; Extension District - \$496; Soil Conservation District - \$144; Flood Plain District - \$6; Mud River District - \$12; and Pond River District - \$155.

Sheriff's Response:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Todd County Sheriff's Settlement - 2001 Taxes as of June 11, 2002, and have issued our report thereon dated December 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Todd County Sheriff's Settlement - 2001 Taxes as of June 11, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards, and which is described in the accompanying comment and recommendation.

- The Sheriff Erroneously Paid The 10% Add-on Fees To The Taxing Districts



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Todd County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no such matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 13, 2002

